ROUTING AND TRANSMITTAL SLIP Date 8/8/85

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
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2. ADDA	[illegible]	
3. DDA	[illegible]	
4.		
5. DDA Reg (file)		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate		For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

DD/A REGISTRY
FILE: 30-13
20-15

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EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI				
6	DDA		X		
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/OLL				
14	D/PAO				
15	VC/NIC				
16	D/Pers		X		
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SUSPENSE ____________
Date

Remarks

STAT

Executive Secretary
7 Aug 85
Date

3637 (10-81)

Executive Registry
85- 2922/2

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

85-2590/1

Date: 8/6/85 **Number:** ------------ **Due By:**

Subject: Minutes: Domestic Policy Council -- July 24, 1985 Meeting

	Action	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☑
State	☐	☐
Treasury	☐	☐
Defense	☐	☐
Justice	☐	☑
Interior	☐	☑
Agriculture	☐	☐
Commerce	☐	☐
Labor	☐	☐
HHS	☐	☑
HUD	☐	☑
Transportation	☐	☑
Energy	☐	☑
Chief of Staff	☐	☑
Education	☐	☑
OMB	☐	☑
CIA	☐	☑
UN	☐	☐
USTR	☐	☐
GSA	☐	☑
EPA	☐	☐
NASA	☐	☐
OPM	☐	☑
VA	☐	☐
SBA	☐	☐

	Action	FYI
CEA	☐	☑
CEQ	☐	☐
OSTP	☐	☐
McFarlane	☐	☐
Svahn	☐	☑
Chew *(For WH Staffing)*	☑	☐
Hicks	☐	☑
Executive Secretary for:		
DPC	☐	☑
EPC	☐	☑

REMARKS:

Attached for your information are the minutes of the July 24 meeting of the Domestic Policy Council.

RETURN TO:

☑ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky

Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OEOB)

MINUTES

DOMESTIC POLICY COUNCIL

July 24, 1985
2:00 p.m.
Roosevelt Room

Participants: Messrs. Meese, Herrington, Casey, Sprinkel, Bauer, C. Baker, Verstandig, Wright, Friedersdorf, Svahn, Kingon, Bledsoe, Ms. Dunlop, Ms. Cornelius, Messrs. Golden, Clarey, Smith, Morrison, Kowalczyk.

Flat Rate Per Diem

Attorney General Meese began the meeting by reviewing the two issues to be discussed. He introduced Mr. Golden, who presented a status report on the Government's per diem reimbursement program. Mr. Golden said that the current system provides a ceiling of $75 for actual costs of meals and lodging in "high cost" cities. For other cities, a $50 ceiling exists with actual costs for lodging and a flat rate of $23 for meals. These ceilings are set by law. The issues are: administrative costs are too high, Federal employees are not reimbursed fairly, and Congressional approval is required for any rate changes.

Mr. Golden reviewed charts showing standard rates, estimated fair per diem rates, and GSA contract rates in some high cost cities. Mr. Meese asked how the fair per diem rate was estimated. Mr. Golden replied that it was based on an amount which GSA felt they could negotiate. Mr. Wright mentioned that agencies are now taking advantage of negotiated block rates for lodging in some cities. Discussion ensued over employee reimbursement practices used in these instances. Mr. Golden and Mr. Wright cited subsistence costs associated with civilian travel, indicating these to be in the $3 billion range.

Three tentative conclusions were reached by GSA. The first is that we should eliminate statutory ceilings, and permit ceilings which could be adjusted based on an annual survey. The second is that we should provide actual lodging plus a flat rate for food for different classes of cities. The third is that we should vigorously pursue a discount program with the hotel industry. Mr. Sprinkel asked why GSA objected to a flat rate per diem. Mr. Golden felt this could stimulate unnecessary travel. Mr. Sprinkel stated that management should ensure that this does not occur.

Mr. Baker asked which would produce the lowest long-term rate, to which Mr. Golden replied that the lodging plus flat rate would. Several other questions were asked about negotiating with hotels and the desired effect of this. Mr. Golden indicated that a goal is to eliminate statutory ceilings, and the unneeded involvement of Congress in this Executive branch responsibility. Mr. Wright indicated that OMB supports a change, but a major problem is that we do not have a good system to provide management information. Regardless, he felt we should more adequately pay employees who must travel, but freeze or cut the travel budget. Mr. Meese agreed.

Action: The Council directed GSA to add two conclusions: that Federal travel costs should be frozen, and that Federal managers should make every effort to eliminate unnecessary trips.

Federal Employees Retirement System

Mr. Meese began discussion of this topic by describing the transitory period for some Federal employees. He mentioned that the retirement system covering people hired since December, 1983, and certain others will expire at the end of 1985. He stated that Senators Stevens and Roth have prepared a bill that has been discussed with White House and OMB staff members. The Council was asked to examine the proposed legislation, and to raise any problems at a future Council meeting. Mr. Wright gave an overview of the three-tiered program called for in the proposed legislation. Mr. Smith of OMB reviewed the current Civil Service Retirement System (CSRS) as a means for comparison. He cited the total cost of the CSRS as being 35 percent of payroll, 7 percent of which is paid by employees and the remaining 28 percent paid by the government. Mr. Wright indicated that the current amount budgeted for CSRS retirement is about $22 billion per year. The Roth/Stevens plan is projecting a cost of 20 - 21 percent of payroll. In addition, it permits capital accumulation on a contributions-defined basis. The government will pay for employee life insurance under this proposal.

Mr. Sprinkel asked who would administer the thrift plan. Mr. Wright indicated that the current draft bill would call for creation of an off-budget Federal agency. Mr. Sprinkel felt this should be contracted out rather than create a new agency. Mr. Wright mentioned that the only two areas in which the Administration currently has concerns are the 401K tax deferral, and the COLA system. When the legislation is introduced, OMB will seek Administration comments on these and other aspects of the bill. Mr. Baker offered assistance by Social Security Administration (SSA) personnel to analyze and compare the features of the bill with the current Social Security programs. Mr. Meese indicated that Council members should coordinate their suggestions with Mr. Wright and OMB. Mr. Casey asked about the timetable. Mr. Wright stated that August will be the period in which we must coordinate our portion.

Mr. Meese cited some concern over the proposals for handling retirement of law enforcement personnel. Discussion ensued over comparisons with State and local law enforcement retirement programs, and over the various types of law enforcement personnel. Mr. Meese agreed that a more precise definition of law enforcement personnel would be needed. Some discussion occurred about speculation as to whether current CSRS enrollees would convert to the new system, since the proposed system would permit (but not require) this. Mr. Wright cited the investment opportunities of the new program, but suggested this would not be a major reason for suggesting changes.

Mr. Friedersdorf indicated that the House may try to liberalize the Roth/Stevens plan, by proposing changes to the salary computation base from an average of the highest 5 years to an average of highest 3 years, and by lowering the age 65 retirement to keep it at age 55. He agreed with Mr. Wright that it looks to be a good bet for passage, and there appears to be general optimism in Congress about the bill.

Action: Mr. Meese directed Mr. Wright to look into possible changes in the bill, e.g., several law enforcement personnel retirement features, and having the program administered by the private sector. This is in addition to changes to the 401K and COLA features already questioned by the Administration. Mr. Meese advised Council members to coordinate their comments with OMB. When the final bill is introduced, the issue will be proposed for discussion at a meeting with the full Cabinet, since all are impacted by this issue.

Working Groups

Mr. Meese announced the formation of five working groups. He authorized the continuation of the Federalism Working Group chaired by Mr. Horowitz of OMB, and the Health Policy Working Group chaired by Mr. Roper of OPD. Working groups would also be established on Tort Compensation Policy; Energy, Environment, and Natural Resources; and the 1985 State of the Union Message.